

Message Text

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ACTION COME-00

INFO OCT-01 ARA-06 ISO-00 DOTE-00 EB-07 XMB-02 AID-05

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R 091345Z APR 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5099

INFO AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: BEXP, EC

SUBJECT: PRODUCT OPPORTUNITY: ROAD BUILDING EQUIPMENT FOR MINISTRY OF
PUBLIC WORKS (MPW)

FOR COMMERCE/BIC/OEPD/MEPD AND FHWA/WALTER MCKENDRICK

REF: A. QUITO 1714 B. STATE 065228

1. ON MARCH 24, COMMAT CALLED UPON DIRECTOR GENERAL OF PUBLIC WORKS JORGE LANAS AND RECEIVED COPY OF BASES FOR PUBLIC TENDER CONTAINING EQUIPMENT SPECIFICATIONS. SPECS ARE IN PROCESS OF TRANSLATION AND WILL BE POUCHED SOONEST.

2. WHEN QUERIED ABOUT STATUS OF MINISTRY'S PROCUREMENT OF EQUIPMENT, LANAS REPLIED THAT NO DECISION YET TAKEN AS TO MEANS, I.E., EITHER PUBLIC TENDER OR GOVERNMENT-TO-GOVERNMENT, BUT THAT BASES FOR BIDS WERE NOW READY. AS FOR FINANCING, HE NOTED THAT SUBSECRETARY, LT. COL.

MARIO JIMENEZ, HAD BEEN CHARGED WITH THIS ASPECT, AND RECOMMENDED DISCUSSION WITH HIM.

3. COMMAT LEARNED FROM JIMENEZ THAT MARCH 24 WAS, ON INSTRUCTIONS FROM MINISTER, DEADLINE FOR RECEIVING OFFERS OF FINANCING, AND THAT COMMISSION WAS MEETING AT THAT VERY MOMENT TO STUDY OFFERS. SUBSTANCE OF REFTEL B, WAS MADE KNOWN TO JIMENEZ, WHO THEN PRODUCED CABLE OFFER
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SENT BY IVOR B. CLARK, BUT DID NOT APPEAR TO BE FAMILIAR WITH CONTENTS.

IN REPLY TO QUESTIONS RAISED IN PARA 2 OF SAME REFTEL, JIMENEZ SAID THAT 1) NO RPT NO GOE DECREE HAS YET BEEN ISSUED AUTHORIZING GUARANTEE

FOR LOAN, AND 2) THERE IS NO IMPEDIMENT WHATSOEVER REQUIRING GOE TO CONTRACT ONLY AT FIXED INTEREST RATE. GOE WOULD HAVE PREFERRED FIXED RATE BECAUSE IT BELIEVED SAVINGS WERE TO BE MADE IN LONG RUN, BUT MINISTRY IS FREE TO CHOOSE BEST OFFER REGARDLESS OF WHETHER RATE IS FIXED OR FLOATING.

4. JIMENEZ, APPARENTLY INEXPERIENCED IN FINANCIAL MATTERS AND WITH LITTLE KNOWLEDGE OF EXIMBANK, COULD NOT SAY IF MINISTRY MIGHT WISH TO SOLICIT FINANCING DIRECTLY FROM BANK. EVEN AFTER USUAL EXIMBANK CONDITIONS AND RATES WERE EXPLAINED, JIMENEZ DID NOT APPEAR INTERESTED.

5. UPON RECEIPT ON MARCH 25 OF IVOR B. CLARK LETTER TO MINISTRY, GIVING MORE DETAILS OF FINANCIAL OFFER, EMBASSY IMMEDIATELY HAD IT TRANSLATED AND DELIVERED TO JIMENEZ. TO DATE WE HAVE RECEIVED NO FEEDBACK AS TO MINISTRY'S VIEWS REGARDING CLARK AND OTHER OFFERS. HOWEVER, ACCORDING TO MANAGER OF BANK OF AMERICA HERE, HE HAS SUCCEEDED

IN DISSUADING MINISTRY FROM REQUIRING FIXED INTEREST RATE. FINALLY, ON FINANCIAL FRONT, MANAGER OF FNCB RECENTLY INFORMED COMMAT THAT HE HAD SUBMITTED A SECOND, QUOTE BETTER UNQUOTE, OFFER.

6. MPW EQUIPMENT NEEDS HAVE AROUSED CONSIDERABLE INTEREST BOTH LOCALLY

AND ON PART OF VISITING US SUPPLIERS. ONE RECENT US VISITOR, JACK MINOR,

PRESIDENT OF L& M EXPORT CO. INC., DOWNEY, CA 90241, A BROKER FOR CONSTRUCTION AND MINING EQUIPMENT, OBTAINED INTERVIEW WITH SUB-SECRETARY JIMENEZ ON MARCH 25, AND MADE UNIQUE PROPOSAL TO BARTER US\$70 MILLION IN CONSTRUCTION EQUIPMENT FOR ECUADOREAN PRODUCTS. ACCORDING TO MINOR, SUBSECRETARY QUOTE ALMOST JUMPED OUT OF HIS CHAIR UNQUOTE WHEN TOLD OF PROPOSAL. OTHER VISITORS TO MINISTRY INCLUDED A JAPANESE TEAM WHICH OFFERED EXPORT-TIED FINANCING AT REPORTEDLY VERY FAVORABLE INTEREST RATE.

7. WE STILL HAVE NO RESPONSE FROM MINISTRY ON FHWA OFFER, NOR HAVE LIMITED OFFICIAL USE

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WE ESTABLISHED DIRECTION IN WHICH IT PLANS TO PROCEED IN ACQUISITION OF EQUIPMENT. WELL-CONNECTED MANAGER OF US CONSTRUCTION ENGINEERING FIRM WHICH HAS CONTACT WITH FPW ADVISES THAT MPW HAS DECIDED NOT TO CONSIDER OFFER OF EQUIPMENT MADE BY RECENT UNNAMED VISITOR WHO REPRESENTED FOREIGN SUPPLIERS. MPW OFFICIAL MAY, HOWEVER, HAVE BEEN REFERRING TO JAPANESE OFFER, SINCE WE UNDERSTAND THAT MPW IS STILL DETERMINED TO PURCHASE US EQUIPMENT. ON OTHER HAND, LOCAL CATERPILLAR REP, WHO HAS BEEN HARD AT WORK TO CONVINCE MINISTER OF ADVANTAGE OF

BUYING CATERPILLAR EQUIPMENT WITHOUT RESORT TO PUBLIC TENDER, INFORMED

COMMAT THAT UNNAMED HIGH-LEVEL MPW OFFICIAL IS NOT FAVORABLY DISPOSED
TOWARD FHWA PROPOSAL BECAUSE OF PROCUREMENT FEE INVOLVED. WE WILL
ATTEMPT TO LEARN MORE IN MEETING WITH LANAS THIS WEEK.
HEMENWAY

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Margaret P. Grafeld
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